Land Use Incentive Grant (LUIG) Update

City Council

November 10 , 2020

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THE CITY OF ASHEVILLE



Overview

- Update to the Land Use Incentive Grant (LUIG) Policy

  - Minimum qualification for length of affordability
  - Recommended cap on per unit subsidy
  - Post grant guidance
    - Reporting requirements
    - Guidelines when tenants exceed income thresholds
    - Maximum rent increases

Background / Goals

- In 2010, City Council first adopted a Land Use Incentive Policy that provided incentives to encourage development projects that fulfill important public purposes like affordable housing.
- The draft LUIG is available with recommended changes highlighted.
- Commitment to developing policies that are simple, usable & equated to an investment dollar amount to be used in a pro forma / balance sheet.
- Goals
  - Quality Affordable Housing
  - Equitable & Diverse Community

LUIG Example

- City Property Tax Grant Program
- Equivalent to City property taxes (with full improvements calculated) in excess of currently assessed city taxes at the time of LUIG application.
- City Property Taxes - $1000
  - Post Construction City Property Taxes - $11,000
    - $10,000 “Improvement” would be granted back after payment.
- Grant applied annually, to be dated from the date of release of all occupancy permits for the project.
- Land Use Incentive Grant (LUIG) not to exceed 21 years.

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Changes of Note - To Qualify

At least 20% of the units must meet the affordability standards set by the City of Asheville for households earning 80% or less of the Area Median Income (AMI) which would include at least 5% of the units accepting Rental Assistance like Housing Choice Vouchers (HCV).

Ex. to qualify -

- 100 home rental community: **15** affordable @ < 80% AMI, **5** HCV
- 20 affordable homes / 20%

Rental Assistance Points in the Matrix are now for >10% acceptance of vouchers.

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Changes of Note - LUIG Cap

The City will only support a LUIG for up to $80,000 per unit of subsidy during the term of the grant although this figure may be adjusted upwards by Council, if requested by the developer, based on the type of build, level of affordability targeted, length of affordability, shared parking agreement, etc., as well as when a city property tax increase / revaluation occurs.

Changes of Note - Post Award

- Appendix 1 - rents plus additional guidance, assistance and clarity.
- Verification of income at initial lease-up is required & at yearly lease renewal
- If at renewal the tenant is over the 80% AMI income for that year but under 120% AMI, the City requires that you keep the tenant at the affordable rent.
- If the tenant is over that 120% AMI income at renewal, they can either stay in their unit with an adjustment to market rent or not renew their lease.
- The City requires that income verification on affordable units for renewal occur 120 days before lease end to allow the tenant additional time if over income.
- Annual rent increases for an affordable unit should not exceed 2.5% and the rent can not be more than that current year's allowable rent as published in Appendix 1.

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Changes of Note - Post Award

One year before the end of the LUIG affordability period, all tenants in the affordable units must be notified of this ending date.

- At the end of the LUIG affordability period, units that are occupied by income qualified tenants must be able to remain in tenancy at the affordable rent until lease renewal.

- Ex. - If the LUIG agreement ends in May and a tenant's lease ends the January prior, their affordable lease will be renewed at the affordable rent as long as all criteria are met.

Committees / Council

Reviewed by the Affordable Housing Advisory Committee (AHAC) - March, 2020

Reviewed by the Housing & Community Development Committee (HCD)
September 2020 & October, 2020 - approved unanimously to move to City Council

Motion to approve the amended Land Use Incentive Grant Policy with the proposed changes as outlined.

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QUESTIONS

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